

COUNTY RATE INFO SYSTEM
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2005 AND 2004

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
County Rate Information System

We have audited the accompanying statements of financial position of County Rate Information System as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Rate Information System as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated August 19, 2005, on our consideration of County Rate Information System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 6 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

McGowen, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
August 19, 2005

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COUNTY RATE INFORMATION SYSTEM
OFFICIALS
AS OF JUNE 30, 2005

<u>Name</u>	<u>Title</u>	<u>Representing</u>
David Mineart	Chairperson	Warren County
Terrence Neuzil	Vice-Chairperson	Johnson County
Mary Williams	Treasurer	Benton County
Sue Novak	Secretary	Linn County
Lawrence Rouw	Member	Mahaska County
Melvyn Houser	Member	Pottawattamie County
Lonnie Maguire	Member	Shelby County
Ellen Gaffney	Member	Buchanan County
Linn Adams	Member	Hardin County
Kay Kollmorgen	Member	Humboldt County
Ric Gerard	Member	Iowa County

COUNTY RATE INFORMATION SYSTEM **MANAGEMENT'S DISCUSSION AND ANALYSIS**

County Rate Information System provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the Organization's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Organization's operating revenues increased 11%, or \$10,724, from fiscal 2004 to fiscal 2005. Membership fees increased and entry fees decreased.
- The Organization's operating expenses increased 8%, or \$9,772, in fiscal 2005 from fiscal 2004.
- The Organization's net assets decreased 33%, or \$22,139, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

County Rate Information System is a single enterprise fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to County Rate Information System's financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Organization's financial activities.

The Statements of Financial Position present information on the Organization's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Statements of Activities present information on the Organization's operating revenues and expenses, non-operating revenues and expenses and whether the Organization's financial position has improved or deteriorated as a result of the year's activities.

The Statements of Cash Flows present the change in the Organization's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Organization financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

COUNTY RATE INFORMATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION

Statements of Financial Position

As noted earlier, net assets may serve over time as a useful indicator of the Organization's financial position. The Organization's net assets for fiscal 2005 totaled approximately \$44,700. This compares to approximately \$66,800 for fiscal 2004. A summary of the Organization's net assets is presented below.

	June 30,	
	2005	2004
Cash and cash equivalents	\$ 19,681	\$ 86,838
Accounts receivable	3,500	-
Certificate of deposit	50,000	-
Total assets	73,181	86,838
Liabilities – accounts payable	28,482	20,000
Total net assets – unrestricted	\$ 44,699	\$ 66,838

All of the Organization's net assets are unrestricted net assets that can be used to meet the Organization's obligations as they come due.

COUNTY RATE INFORMATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION, continued

Statements of Activities

Operating revenues are received for dues, entry, and registration fees collected from member counties. Operating expenses are expenses paid to establish and maintain a rate system methodology to enable member counties to negotiate and receive appropriate reimbursement rates with covered Mental Health and Developmental Disability Providers. Non-operating revenue consists entirely of interest income. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2005 and 2004 is presented below:

		Changes in Net Assets	
		Year ended June 30, 2005	2004
Revenue			
Membership dues		\$ 104,000	\$ 89,999
Entry fees		3,000	6,000
Registration fees		3,500	3,375
Interest		730	1,132
Total revenue		111,230	100,506
Expenses			
Administrative fees		10,989	12,720
Consulting fees		112,292	98,175
Professional fees		2,150	1,900
Insurance		1,027	1,064
Meeting expense		6,431	9,015
Miscellaneous		480	723
Total expenses		133,369	123,597
Decrease in unrestricted net assets		(22,139)	(23,091)
Unrestricted net assets, beginning of year		66,838	89,929
Unrestricted net assets, end of year		\$ 44,699	\$ 66,838

The Statements of Activities reflect a net loss for the year, resulting in a decrease in net assets at the end of the fiscal year. In fiscal 2005, operating revenues increased by \$10,724, or 11%, primarily the result of an increase in membership dues of approximately \$14,000, offset by a \$3,000 decline in entry fees. Operating expenses increased by \$9,772, or 8%. This increase was primarily a result of an increase in consulting fees of approximately \$14,000, due to additional participating counties during fiscal 2005.

COUNTY RATE INFORMATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE ORGANIZATION, continued

Statements of Cash Flows

The Statements of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash used by operating activities primarily includes member dues reduced by consulting and administrative fees.

ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Organization officials. The greatest economic threat to the continuation of this program would be changes in either federal or state regulations regarding the use of funds to pay for the cost of administrative support services. This program exists to more efficiently use resources in providing services to individuals with disabilities. General disruptions in funding or significant programmatic changes could eliminate the need for this program. However, while program changes occur over time, the abandonment of funding or the complete elimination of these types of services is highly unlikely.

The Organization anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Organization's ability to react to unknown issues.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Board of Directors and management with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact County Rate Information System, 501 SW 7th Street, Suite Q, Des Moines, Iowa.

COUNTY RATE INFORMATION SYSTEM
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 19,681	\$ 86,838
Accounts receivable	3,500	-
Certificate of deposit	<u>50,000</u>	<u>-</u>
Total assets	<u>\$ 73,181</u>	<u>\$ 86,838</u>

LIABILITIES AND NET ASSETS

Liabilities - accounts payable	\$ 28,482	\$ 20,000
Net assets - unrestricted	<u>44,699</u>	<u>66,838</u>
Total liabilities and net assets	<u>\$ 73,181</u>	<u>\$ 86,838</u>

The accompanying notes are an integral part of these financial statements.

COUNTY RATE INFORMATION SYSTEM
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
REVENUE		
Membership fees	\$ 104,000	\$ 89,999
Entry fees	3,000	6,000
Registration fees	3,500	3,375
Interest income	730	1,132
Total revenues	<u>111,230</u>	<u>100,506</u>
 EXPENSES		
Administrative fees	10,989	12,720
Consulting fees	112,292	98,175
Professional fees	2,150	1,900
Insurance	1,027	1,064
Meeting expenses	6,431	9,015
Miscellaneous	480	723
Total expenses	<u>133,369</u>	<u>123,597</u>
 DECREASE IN UNRESTRICTED NET ASSETS	(22,139)	(23,091)
 UNRESTRICTED NET ASSETS, beginning of year	<u>66,838</u>	<u>89,929</u>
 UNRESTRICTED NET ASSETS, end of year	<u><u>\$ 44,699</u></u>	<u><u>\$ 66,838</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY RATE INFORMATION SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (22,139)	\$ (23,091)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Net increase (decrease) in:		
Accounts receivable	(3,500)	-
Accounts payable	8,482	16,000
Due to Iowa State Association of Counties	-	(9,263)
	<u>(17,157)</u>	<u>(16,354)</u>
Net cash used by operating activities	(17,157)	(16,354)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposits	(110,000)	-
Proceeds from maturities of certificates of deposit	<u>60,000</u>	<u>-</u>
	<u>(50,000)</u>	<u>-</u>
Net cash used by investing activities	(50,000)	-
Net decrease in cash	(67,157)	(16,354)
CASH, beginning of year	<u>86,838</u>	<u>103,192</u>
CASH, end of year	<u><u>\$ 19,681</u></u>	<u><u>\$ 86,838</u></u>

The accompanying notes are an integral part of these financial statements.

COUNTY RATE INFORMATION SYSTEM
NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - County Rate Information System (CRIS) was established under the provisions of Chapter 28E of the Iowa Code. The purpose of CRIS is to establish a rate setting methodology to enable member counties to negotiate appropriate reimbursement rates with Covered Mental Health and Developmental Disability Providers.

Cash and cash equivalents - For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Certificate of deposit - The Organization holds a certificate of deposit with a financial institution. The certificate of deposit matures in August 2005 and bears an interest rate of 2.15%.

Income tax status - CRIS was formed as a joint venture between the participating member counties and the Iowa State Association of Counties and is exempt from income taxes. Accordingly, no provision for income taxes has been provided in the financial statements.

Concentration of credit risk - The Organization's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - AGREEMENT WITH THE IOWA STATE ASSOCIATION OF COUNTIES

The Organization has an agreement with the Iowa State Association of Counties (ISAC) whereby ISAC provides the Organization with office space, clerical support, telephone services, use of its office-related equipment, insurance and other employee benefits. The Organization reimburses ISAC for these costs on a periodic basis. Administrative expenses paid by ISAC on behalf of CRIS totaled \$10,989 and \$12,720 for fiscal years 2005 and 2004, respectively.

NOTE C - COMMITMENTS

The Organization has a consulting agreement that ends June 30, 2006. The agreement may be terminated, without cause, by either party with 120 days written notice. Consulting expense under the agreement totaled \$112,292 in 2005 and \$98,175 in 2004. Consulting costs under the agreement are not expected to exceed \$107,500 in 2006.

COUNTY RATE INFORMATION SYSTEM
NOTES TO FINANCIAL STATEMENTS

NOTE D - FUNCTIONAL EXPENSES

The costs of providing services to establish a rate methodology include direct expenses of providing the services (salaries and related costs, as well as consulting fees). Management and general expenses include all executive and financial administration expenses.

Following is a summary of CRIS's functional expenses at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Program expenses	\$ 120,536	\$ 105,662
Fundraising costs	-	-
General and administration	<u>12,833</u>	<u>17,935</u>
 TOTAL	 <u>\$ 133,369</u>	 <u>\$ 123,597</u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
County Rate Information System

We have audited the financial statements of County Rate Information System as of and for the year ended June 30, 2005, and have issued our report thereon dated August 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered County Rate Information System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County Rate Information System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and the Organization's management and is not intended to be and should not be used by anyone other than these specified parties.

McGowen, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
August 19, 2005

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COUNTY RATE INFORMATION SYSTEM
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Findings Related to the Financial Statements

Instances of non-compliance

No matters were noted.

Reportable conditions

No matters were noted.

Other findings related to required statutory reporting

No matters were noted.